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29 OCT 1982

MEMORANDUM FOR: Deputy Director for Administration

FROM: Edward L. Sherman
Director of Finance

SUBJECT: Agency Long-Range Planning Phase IV -
Support Capabilities

REFERENCE: Memo to D/OF from DDA (DDA 82-2266/5) dtd
28 Oct 1982, Same Subject

1. The attached is a rewrite of the Office of Finance Long-Range Plan in accordance with your request in the reference. We have rewritten parts of II and III in an attempt to broaden the perspective of the paper. We have tried to prepare the paper as concise as possible given all the variables that affect future planning on financial matters.

2. If this second effort is still unacceptable in whole or in part, I would appreciate being able to discuss its deficiencies with you in person.

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Edward L. Sherman

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I Executive Summary

The resource limitations imposed over the past few years combined with initiatives already underway in other Directorates have placed extremely heavy burdens on our ability to stretch personnel and dollar resources to cover our very basic support requirements. Combining this with our inability to develop, enhance and maintain our systems in a timely fashion, puts us in the position of placing heavy emphasis on getting sufficient resources to catch up with our basic requirements and initiate new system development.

II Overview

- A. Drastic resource limitations during the past several years have affected our ability to start new initiatives and expand activities and to keep pace with new initiatives and expansion of other activities in other Agency components. Consequently, we now find ourselves considerably behind the curve in maintaining a resource level capable of handling the additional workload. Also impacting our ability to maintain an appropriate level of support is the inability of the Office of Data Processing (ODP) to provide sufficient resources to maintain and enhance, in a timely fashion, our computer systems to the level needed to meet other than top priority demands. All of this adds up to our over using crisis management to solve situations that occur regularly.
- B. The work load associated with the payroll process continues to increase. Prompt payment levies both additional manual work and major system enhancements. [REDACTED]

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[REDACTED]

These, plus the demands of the components for additional financial personnel to support their increased activity, legislation affecting retiree payments, and the need to staff the development of new payroll and vendor payment systems all add up to a need for a considerable increase in resources. Congressional concern with appropriate internal controls used by agencies in their program and administrative activities prompted them to pass the Federal Managers Financial Integrity Act of 1982. Coupled with "Reform 88" (the President's program to restructure the management of the Federal Government to ensure that it operates more efficiently), and the demand for a closer look and possible changes to existing procedures and programs will also affect the number and amount of resources needed in the immediate future.

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- C. During the decade of the eighties, the Office of Finance and the finance functions of the Agency will change in more dramatic fashion than they have in the entire past 35 year history of the Agency. These changes will be the direct result of the development and adoption of data and word processing systems to financial control and management. The changes will not merely be technical. They will affect every aspect of financial management from organization to staffing to definitions of the finance functions. Furthermore, the driving force behind those changes will not be the size of the Agency or the scope of its functions. The driving force will be the adoption of the new technology within the Agency, by the rest of the Federal Government and by private industry in the United States. We foresee that within the decade the laws of the Federal Government regarding accounting, procurement, Federal wages and retirement and most other Federal administration will change to require all Federal agencies to adopt the new technology. This look into the future is already evidenced in present initiatives affecting financial systems. The development of LIMS (Logistical Information Management System), ACIS (Automated Compensation Information System), the Department of State new Financial Management System, our own Field Accounting System, all presage changes to come in the definition, organization and functioning of future financial management systems.

The automated linkage of the bulk of the present day work of Finance and Logistics and Finance and Personnel will obviously open the door to redefinition of these functions, the kinds of personnel they need and the respective responsibilities of these functions in the management of the Agency. Just what changes are specifically likely to take place is impossible to forecast, because while the Agency is struggling with these questions, the external environment, including Federal policy and law and commercial practice will also be changing, and in the end the Agency will have to conform to these influences. But it is clear that the division of labor we currently accept is not necessary in the machine age.

In addition to the ongoing initiatives mentioned above, financial systems will require new initiatives for the overhaul of GAS (General Accounting System), for word and data assistance to the commercial audit function, for word and data assistance to the travel function, for word and data assistance to the disbursement system and for funding support to operations, and for emergency planning assuming there is a finance role for the Agency in such planning. The net effect of these changes should be a more efficient, more secure, more responsive financial system, but the planning and implementation of these systems is already well beyond the capabilities of the Office of Finance, and the successful completion of these tasks may already be well beyond the capabilities of the Agency in total. Certainly these goals will not be obtained until the Agency makes a quantum leap forward in systems resources and in systems planning. Even with adequate

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resources and a better planning attitude, progress will be slowed by serious legal, security and organizational issues. These are and should be major Agency concerns over the next ten years.

III Impact of Directorate Long-Range Planning Papers

The long-range planning papers submitted by the other Directorates each call for increasing activities requiring additional personnel and funds with clear implications for increasing travel, procurement, commercial contracting and bill paying. These papers project a growth of the

[redacted] which usually require a high level of financial support. Most of these plans are not specific enough to permit us to draw clear relationships between the presumed growth in other areas and what the Office of Finance will need to provide financial services to these activities. The situation is further complicated because of the changes we expect financial systems to undergo over the period, as we have outlined in Section II C above. Nevertheless, we can make certain statements about the impact of other Directorate planning with reasonable certainty. The overall impact seems to project at least a [redacted] growth in Agency personnel and [redacted] growth in Agency funds and funds from other Federal Agencies. There is a clear emphasis on additional travel above the current rate. additional personnel overseas, additional

[redacted] data processing equipment and software and external analytical research as well as technical R&D. In sum, we can expect every financial system to be hit by increasing workloads ranging from [redacted] for payroll to [redacted] percent for contract audit and bill paying. Furthermore, the growth of activities across the Agency will require increased decentralized support within the DDS&T, the DDI and the DDO which does not appear to be included in their projections. Provision of finance careerists to meet these outside needs will require substantial investment by this Office, in training programs which do not now exist, if we are to provide personnel who are capable of maintaining the decentralized financial systems on which the Agency relies.

We have no choice with respect to meeting these demands. The Agency's responsibilities for paying people and bills, for protecting resources and for being accountable are set by law and must be carried out. The only option is whether we continue to perform much of these tasks manually or we move to automate as much as possible. We are embarked on the latter course but within very restrictive limits on resources. We do not know what future decisions may do to hasten automation. Consequently, we are estimating a [redacted] increase in personnel and funds over the next four years. This is only part of what is needed since much of the systems work is the responsibility of the Office of Data Processing, and we are also dependent on improvements by the Office of Logistics, the Office of Personnel and the Office of Communications. Should the progress of automation fail to increase dramatically for any reason, Office of Finance personnel and funding requirements would double over our projected increases for the next four years.

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